

COMMITTEE: **AUDIT AND GOVERNANCE**

DATE: **22ND SEPTEMBER 2010**

SUBJECT: **UPDATE ON INTRODUCTION OF INTERNATIONAL
FINANCIAL REPORTING STANDARDS**

REPORT BY: **HEAD OF CORPORATE FINANCE**

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IMPLICATIONS:

LEGAL	✓	COMMUNITY SAFETY
EQUALITIES		ENVIRONMENT
FINANCIAL	✓	CONSULTATIONS
STAFFING		OTHER

WARDS AFFECTED: NONE

PURPOSE

1. To update members about progress with the introduction of International Financial Reporting Standards.

RECOMMENDATION(S)

2. **Audit and Governance Committee is recommended to note the progress made to date.**

BACKGROUND

3. The committee considered the implications of the Introduction of International Financial Reporting Standards (IFRS) for Local Authority

Accounts at their meeting in March 2009 and received updates on progress at their December 2009, March 2010 and June 2010 meetings.

REPORT

National Developments

4. As previously explained, the Council will need to purchase guidance notes for practitioners. This publication was expected to be published before the summer by the Chartered Institute of Public Finance and Accountancy (CIPFA), but has not yet been published. It is concerning that this publication is not yet available and there is currently no indication as to when it will be published.

Recent Progress

5. As the External Auditors have been prioritising the completion of the audit of the 2009/10 Statement of Accounts, there has been little chance to discuss IFRS issues with them. Now the audit is approaching completion it is hoped that it will be possible to explore the IFRS issues identified with them over the next few weeks.

Leases

6. Leasing arrangements have now been reviewed and the results of this exercise need to be discussed by senior staff in Corporate Finance, before being reviewed with the Auditors.
7. The leases reviewed include properties leased in by the Council, equipment leases, items leased by schools and the large number of properties managed by the council, which are leased to others.

Investment Properties & Surplus Assets

8. Officers still need to conduct a review of investment properties, to ensure that the properties currently in this classification will continue to fall here under IFRS. This exercise will be completed shortly. It is not expected that any properties will need reclassifying.
9. Officers will also be reviewing all surplus assets and deciding which classification they should be moved to under IFRS. It is expected that most assets will be moved to the "Property, Plant and Equipment" heading as they were not being actively marketed for sale in April 2009 and hence cannot be classified as assets held for sale.

10. The council needs to purchase specialist Fixed Asset register software. However, the preferred supplier is still developing the software and it is not expected to be available before December 2010. It is hoped that the implementation of the software will commence as soon as the software is released and that the system will be fully functioning in time for the year end processes.

Employee Benefits

11. The calculation of the required accrual for untaken annual leave and outstanding flexi time balances will be concluded shortly. All the information needed to conduct this calculation is now readily available.

PROPOSAL/OPTION

12. Members are asked to note the report, but can request that additional information be provided. They could also request that the matters discussed in this report be drawn to the attention of another committee.

LEGAL IMPLICATIONS

13. The Council is required by statute to follow proper practices in relation to the production of the Statement of Accounts. Proper practices would include following CIPFA guidance and the Council will, therefore, need to adopt IFRS and prepare its accounts for 2010/11 as required by the code of practice.
14. These legal implications have been agreed by Richard Stevens on 10th September 2010.

FINANCIAL IMPLICATIONS

15. Implementing IFRS for the Council cannot be achieved without additional cost. Where there is an increase in the amounts being charged to the Income and Expenditure account, the Council expects that central government will issue regulations to mitigate the effect, hence avoiding an impact on the Council Tax.
16. The Council needs to identify adequate staff resources to undertake the work needed to implement IFRS. Funding will also need to be identified for the purchase of fixed asset accounting software.

APPENDIX

None.

LIST OF BACKGROUND PAPERS
LOCAL GOVERNMENT ACT 1972, SECTION 100D

Accounts and Audit Regulations 2006

LAAP Bulletin 80 – Implementation of IFRS – Outline Project Plan, published by CIPFA

Code of Practice on Local Authority Accounting in the United Kingdom 2010/11, published by CIPFA

International Financial Reporting Standards and International Accounting Standards published by the International Accounting Standards Board